



## Economic and Revenue Forecast Council

**EMBARGOED** until June 16, 2011 10:00 am PDT when it will be released at [www.erfc.wa.gov](http://www.erfc.wa.gov)

CONTACT: Arun Raha, Chief Economist & Executive Director

PHONE: 360-534-1560

### Near-term Softness Expected For Washington State Revenues

OLYMPIA, June 16, 2011 –The U.S. economy has entered another soft-patch. High gas prices and disruptions to the manufacturing supply chain have taken the wind out of the sails of the recovery. Growth is likely to pick up momentum in the second half of the year as oil prices stabilize and Japan starts rebuilding.

Washington employment grew less than expected since the March forecast. Aerospace and software are expanding again, but construction remains in a slump. The disruptions caused by the Japanese earthquake and tsunami continue to pose a threat to the state's recovery. Eventually reconstruction activity will be a plus for our state's economy but in the near term the devastation has disrupted supply chains and reduced demand for Washington products.

Revenue collections through June 10 were \$93 million (2.5%) above what we had expected. This surplus, however, was due to the success of the tax penalty amnesty program, which brought in more than forecasted, as well as a one-time assessment payment. Without these, collections would have been \$142 million (3.8%) below the March forecast. Legislation from the 2011 session has increased the revenue forecast for the current biennium and lessened the expected decrease in the next biennium.

#### **Forecast of GF-S Revenues: 2009-11**

**Baseline (75% likely):** \$28.2 billion; \$171.2 million (0.6%) higher than the March forecast.

**Optimistic (5% likely):** \$41 million (0.1%) more than the baseline forecast.

**Pessimistic (20% likely):** \$40 million (0.1%) less than the baseline forecast.

#### **Forecast of GF-S Revenues: 2011-13**

**Baseline (75% likely):** \$31.7 billion; \$183.0 million (0.6%) less than the March forecast.

**Optimistic (5% likely):** \$2,197 million (6.9%) more than the baseline forecast.

**Pessimistic (20% likely):** \$2,299 million (7.2%) less than the baseline forecast.

Please see our full report for more information. You can access this report at:

<http://www.erfc.wa.gov/forecast/documents/rev20110616color.pdf>

###

#### **About the ERFC:**

The ERFC was established under RCW 82.33 to provide the Governor and the Legislature with official independent and professional forecasts of the state economy and revenues.